

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 TRSE-00 LAB-04 SIL-01 CIAE-00
DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02
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FM AMCONSUL DHAHRAN
TO SECSTATE WASHDC 5301
INFO USDOC WASHDC
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMCONSUL SHIRAZ
AMEMBASSY TEHRAN

UNCLAS DHAHRAN 0298

DEPT PASS TREASURY, DEPT. OF LABOR AND USIA

E.O. 11652: N/A
TAGS: ELAB, SCUL, PFOR, BGEN, SA
SUBJECT: HEAD OF UNIVERSITY SPEAKS OUT ON FACT THAT US TAX
LAWS ARE THINNING FACULTY RANKS

REF: JIDDA 1787 (NOTAL), ABU DHABI 0706

1. DR. BAKR ABDULLAH BAKR, UNIVERSITY OF PETROLEUM
AND MINERALS (UPM) RECTOR, EXPLAINED MARCH 6, DURING
CALL BY EMBASSY POLOFF, THAT RECENT REVISIONS OF US
INCOME TAX LAWS HAVE ALREADY CAUSED RESIGNATION OF
SEVEN AMERICAN FACULTY MEMBERS OF UPM STAFF. BAKR
NOTED THAT IT SEEMS CERTAIN THAT MORE AMERICAN
FACULTY MEMBERS WILL OPT TO RESIGN AFTER FURTHER
CONSIDERATION OF THEIR TAX STATUS UNDER THE
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RECENTLY-PASSED
US TAX LAW.

2. RECTOR BAKR WAS PARTICULARLY DISTURBED OVER
PROVISION OF US INCOME TAX LAW THAT REQUIRES FACULTY
MEMBERS TO PAY TAXES ON RENT-FREE (BUT MODEST)
UNIVERSITY HOUSING AT ITS "FAIR MARKET VALUE". HE

EXPLAINED THAT WITH RENTAL VALUES OF EQUIVALENT LOCAL HOUSING RUNNING UP TO \$30,000, CONTINUED ASSOCIATION AT UPM BY AMERICANS HAS BECOME "FINANCIALLY RUINOUS". AFTER NOTING THAT UPM'S AMERICAN FACULTY MEMBERS HAD BEEN SELECTED AFTER LONG AND EXPENSIVE SEARCH, RECTOR EXPRESSED HIS DISTRESS THAT NOW HIS UNIVERSITY MUST START THE SEARCH ALL OVER AGAIN TO FIND SUITABLE, BUT NON-AMERICAN, REPLACEMENTS. RECTOR ADDED THAT UPM HAS ALWAYS CONSIDERED US AS ITS PRIME RECRUITING SOURCE, AND WOULD LIKE TO CONTINUE TO DO SO, SINCE IT IS A TECHNICALLY ORIENTED UNIVERSITY AND AMERICA HAS THE BEST TECHNOLOGY. THE NEW US TAX LAW, HOWEVER, IS FORCING UPM TO CHANGE VERY RELUCTANTLY ITS RECRUITING SOURCE.

3. RECTOR ALSO EXPLAINED THAT UPM CANNOT INCREASE COMPENSATION TO US PROFESSORS, IN ORDER TO COVER THEIR GREATER TAX BURDEN, AS UPM IS UNDER TIGHT BUDGET CONSTRAINTS IMPOSED BY SAG. (EARLIER, RECTOR HAD TOLD CONSUL GENERAL OF HIS CONCERN, AND MENTIONED THAT IN ADDITION TO THE BUDGET PROBLEM, THERE WOULD BE A SERIOUS MORALE PROBLEM IF UNIVERSITY WERE TO INCREASE SALARIES OF AMERICAN FACULTY MEMBERS WITHOUT BOOSTING SALARIES OF LOWER-PAID FACULTY MEMBERS FROM COUNTRIES OTHER THAN US.) BAKR WENT ON TO EXPLAIN THAT EACH AMERICAN PROFESSOR "IS WORTH ONE MILLION DOLLARS" IN VALUE TO US-SAUDI RELATIONS AND SORROWFULLY REGRETTED THAT A MUTUALLY USEFUL AND WARM RELATIONSHIP BETWEEN THE TWO COUNTRIES IS UNCLASSIFIED

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BEING THWARTED AND POSSIBLY DESTROYED JUST TO GAIN TAX REVENUE AT HOME.

4. COMMENT: UPM IS ONLY ONE OF MANY SAUDI AGENCIES AND COMPANIES WHICH ARE PERPLEXED AND DISTURBED THAT U.S. TAX LAWS HAVE PRICED U.S. CITIZENS OUT OF THEIR LABOR MARKET. IN CASE OF UPM, MODELED ALMOST COMPLETELY ON AMERICAN LINES, WITH ALL TEACHING IN ENGLISH AND A FACULTY WHICH IS ONE-THIRD AMERICAN, THE US IS LOSING A GOOD DEAL MORE THAN THE FAVORABLE BALANCE OF PAYMENTS IMPACT OF ITS CITIZENS EARNING TOP SALARIES OVERSEAS. AS RECTOR BAKR SUGGESTS ABOVE, THE US GAINS INVALUABLE PROFITS IN THE CULTURAL AND INTERNATIONAL RELATIONS AS WELL AS INDUSTRIAL/COMMERCIAL FIELDS BY HAVING A STRONG CONTINGENT IN THE RANKS OF UPM'S FACULTY. THE UNIVERSITY'S GRADUATES GO ON TO HIGH POSTS OF LEADERSHIP AND THEIR UNIVERSITY TRAINING BY AMERICAN PROFESSORS MEANS THAT THEIR BONDS OF FRIENDSHIP AND

UNDERSTANDING WITH THE US DATE BACK TO THEIR STUDENT
DAYS. IT IS DIFFICULT TO IMAGINE AN ORGANIZATION
WHERE AN AMERICAN PRESENCE CAN HAVE SUCH A
BROAD, LONG-TERM IMPACT IN THE US NATIONAL INTEREST.
THE CONSULATE GENERAL WILL FORWARD SHORTLY A MORE
GENERAL REPORT ON THE CONCERN OF THE LARGE AMERICAN
BUSINESS COMMUNITY HERE THAT ITS ABILITY TO COMPETE
IS BEING REDUCED.
BUSHNELL

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